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Counsel

June 15, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

Re: State Forward-Looking Cost Studies for Federal
Universal Service Support, CC Docket Nos. 96-45, 97-160

Dear Ms. Salas:

In compliance with the Common Carrier Bureau's Public Notice in this matter¹ and consistent with the order of the Indiana Utility Regulatory Commission ("IURC") in its Cause No. 40785, a copy of which is attached, Ameritech Indiana makes this filing of the forward-looking economic cost study authorized by the IURC for use in the State of Indiana in connection with the Federal Communications Commission's ("FCC's") and any Indiana state universal service support mechanism for Ameritech high cost areas. Attached hereto is the public version of that filing with certain confidential information redacted.² A complete filing including all confidential information is being submitted separately with a request for confidential treatment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael S. Pabian".

[MSP0146IN.doc]

¹ *In the Matter of State Forward-Looking Cost Studies for Federal Universal Service Report*, CC Docket Nos. 96-45 and 97-160, Public Notice, DA 98-217 (released February 27, 1998).

² The Ameritech Indiana filing was sponsored by Ameritech Indiana's witness, John H. Buehner, consisting of the following: Exhibit JHB-3: Ameritech inputs to the BCPM model; Exhibit JHB-4: BCPM Summary Report; Exhibit JHB-5: FCC Data Request Responses; Exhibit JHB-6: Work papers; Exhibit JHB-9: Input Spreadsheet; and Exhibit JHB-10: Output Spreadsheet.

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STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE INVESTIGATION)
ON THE COMMISSION'S OWN MOTION)
INTO ANY AND ALL MATTERS RELATING)
TO ACCESS CHARGE REFORM AND)
UNIVERSAL SERVICE REFORM, INCLUDING,)
BUT NOT LIMITED TO, HIGH COST OR)
UNIVERSAL SERVICE FUNDING MECHANISMS)
RELATIVE TO TELEPHONE AND)
TELECOMMUNICATIONS SERVICES)
WITHIN THE STATE OF INDIANA PURSUANT)
TO: IC 8-1-2-51, 58, 59, 69; 8-1-2.6 ET SEQ.,)
AND OTHER RELATED STATUTES, AS WELL)
AS THE FEDERAL TELECOMMUNICATIONS)
ACT OF 1996 (47 U.S.C. SEC. 151, ET SEQ.))

CAUSE NO. 40785

APPROVED:

APR 23 1998

BY THE COMMISSION:

G. Richard Klein, Commissioner
Gregory S. Colton, Administrative Law Judge

On May 7, 1997, the Federal Communications Commission ("FCC") issued its Universal Service Order (FCC 97-157, CC Docket No. 96-45). In paragraph 248 of that Order, the FCC asked each state commission to elect, by August 15, 1997, whether it would develop its own forward-looking economic cost ["FLEC"] study to be used in calculating support for the federal universal service fund ("USF"). If a state agreed to do so, that state was required to submit its FLEC study to the FCC by February 6, 1998 for ultimate approval by the FCC. As the FCC noted in its USF Order, if a state elects not to submit its own FLEC studies, such state will become subject to a "default" cost model to be determined by the FCC's own FLEC methodology. (USF Order, at ¶249). The FCC, by Order dated December 3, 1997, extended the date for submission of the FLEC study to April 24, 1998.

By its August 4, 1997 Order in this Cause, the Indiana Utility Regulatory Commission ("Commission") elected to develop a FLEC study for possible submission to the FCC, initiated a formal investigation and determined that we would have the resources and time "to evaluate only two options: the 'default' FCC model or FLEC study (once it has been completed), and one alternative, which could include multiple models or FLEC studies." (August 4, 1997 Order, at 2). The Commission also appointed Mr. Paul Hartman as its agent to conduct technical conferences and discuss the issues presented by this investigation. (*Id.* at 1).

In an Order issued on November 5, 1997, the Commission determined that efforts to develop a FLEC model for Indiana should be confined to development of the Benchmark Cost Proxy Model ("BCPM") proposed by Sprint instead of company-specific models or FLEC studies. In taking this course of action, aside from a consideration of limited staff resources being available to devote to

testing and developing company-specific models, the Commission determined that the BCPM relies on widely accepted engineering principles that appropriately blend cost and efficiency; BCPM is neither Indiana- nor company-specific; BCPM is one of three models under consideration by the FCC for adoption as a "default" model; BCPM is not proprietary and is subject to testing and examination by a standard computer; and while BCPM may be ultimately rejected by the FCC as its "default" model, its familiarity to the FCC increases its chances for acceptance. (11/15/97 Order, Cause No. 40785, pp. 3-4)

Having adopted the BCPM for the parties to develop, our November 5, 1997, Order also established what company-specific parameters (*i.e.*, rate of return, depreciation rate, fill factors, investment related expenses, infrastructure sharing and shared and common costs) should be submitted by the parties. Moreover, we found that the parties, when presenting cost studies to the Commission, should adhere to the Colorado Public Utilities Commission's Guidelines for the minimum level of detail or documentation needing to be submitted in support of the proposed FLEC model, the relevant portion of which guidelines were attached to our Order as Attachment A. To those Colorado guidelines we also added an additional, new section (H), requesting the parties to explain how the BCPM and parameters follow the FCC's ten criteria listed in Paragraph 250 of the USF Order.

On November 25, 1997, Respondent Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana ("Ameritech") filed a Petition for Rehearing or, in the alternative, for Reconsideration of that portion of our November 5, 1997, Order adopting the BCPM for development of FLEC studies for federal universal service support, but rejecting the further development of Ameritech's company-specific model as a candidate for FCC submission. While the FCC has indicated it will accept multiple-model submissions (*See*, FCC Public Notice, DA-97-2383, released 11/12/97), the Commission nonetheless concluded that its November 5, 1997, decision to develop only one statewide FLEC model for submission to the FCC, including the development of the BCPM, was still valid and accordingly denied Ameritech's Petition. In our Order on Petition for Reconsideration, issued on January 21, 1998, the Commission, however, clarified two matters. We indicated, as we had done in our August 5, 1997, Order, that our decision to test and certify the BCPM model should not be interpreted as an indication that this Commission had already decided to submit a state-specific FLEC model to the FCC for its approval, but that it was still an open question whether we would submit a state-specific FLEC model or defer to the as-yet-to-be developed FCC default model. Secondly, we directed the parties to work on the newest version of the BCPM model at that time, Version 3.0, leaving to the discretion of the presiding officers, in the case of further updates, whether to continue working on Version 3.0 or any updated version.

By Docket Entry issued on January 27, 1998, the presiding officers established a procedural schedule leading to an evidentiary hearing on March 23, 1998, relating to the BCPM model. That entry also included an Attachment A, a list of questions that the Commission's agent Mr. Hartman recommended, and the presiding officers found, should be answered by parties desiring to present evidence at the evidentiary hearing. The entry also established a procedure and hearing schedule whereby parties, desiring confidential treatment of proprietary materials pursuant to IC 5-14-3-4 in

support of their pre-filed testimony on the BCPM cost model, could present evidence in support of such treatment at an evidentiary hearing two days after each prefiling deadline prior to the March 23, 1998, hearing date.

By Docket Entry dated January 28, 1998, the presiding officers sought input on whether to use Version 3.0 of the BCPM or Version 3.1. In a Stipulation filed with the Commission on February 2, 1998, Sprint/United, GTE North and Ameritech expressed concurrence with and recommended the use of Version 3.1 of the BCPM. By Docket Entry of February 6, 1998, the presiding officers approved such Stipulation in its entirety and determined that Version 3.1 of the BCPM should be used for all prefilings made in anticipation of the evidentiary hearing herein.

An evidentiary hearing was convened on February 12, 1998, to allow the non-rural ETCs to offer testimony in support of the confidential treatment of certain materials being prefiled as part of their prefiled direct testimony. Ameritech, GTE North and Sprint/United all respectively offered testimony in support of the confidential treatment of certain materials that were presented to the bench under seal. The hearing was continued to February 27, 1998, to allow each party sufficient time to enter into appropriate non-disclosure/confidentiality agreements and review other parties' materials offered under seal at the February 12, 1998, confidentiality hearing. On February 27, 1998, no objection was raised to any of the requests for confidential treatment of any of the prefiled materials and the Commission, by Docket Entry, dated March 3, 1998, ordered that all materials offered by the presenting parties under seal at the February 12, 1998, confidentiality hearing should be accorded confidential treatment, finding such materials to be "trade secrets" within the meaning of IC 24-2-3-2 and that such materials should be treated confidentially by all members of the Commission pursuant to described procedures set forth in the Docket Entry.

At the continued confidentiality hearing on February 27, 1998, the Office of Utility Consumer Counselor ("OUCC") filed in open hearing its request for an alteration of the pending procedural schedule on the BCPM cost model submissions due to unexpected delays in obtaining data and records under the terms of the non-disclosure agreements. All parties agreed that the procedural schedule previously established should be amended to allow for additional time. Upon reviewing these proposed changes, in the same March 3, 1998, Docket Entry referenced above, the procedural schedule was modified, including the evidentiary hearing date, which date was rescheduled to March 26, 1998.

On March 4, 1998, the Commission issued a further Docket Entry, informing the parties that on February 27, 1998, the FCC in Docket DA 98-217 released a Public Notice entitled State Forward-Looking Cost Studies for Federal Universal Service Support (CC Docket Nos. 96-45 and 97-160) (hereafter "Public Notice") indicating the FCC's filing requirements for states wishing to submit a cost model for universal service funding. The Public Notice directed the submission of a text document and two spreadsheets for a standardized presentation of the cost study's inputs and outputs, respectively. The Commission, in conjunction with this Public Notice, directed Ameritech, GTE North and Sprint/United to file along with their respective rebuttal testimony due on March 23, 1998, this text document and the two spreadsheets. The Commission also directed these parties not to include in the March 23, 1998, filing any confidential information with the submission; several

sections of the FCC's Public Notice appeared to contemplate the possibility that certain information may not have to be disclosed publicly.

On March 11, 1998, another confidentiality hearing was convened relating to the OUCC's testimony prefiled with the Commission on March 9, 1998, and no parties objected to confidential protection being afforded to such materials so designated by the OUCC. In like manner, a confidentiality hearing was convened also on March 25, 1998, relating to Ameritech, GTE North and Sprint/United's rebuttal testimony prefiled on March 23, 1998, and spreadsheet submissions by Ameritech made on March 23, 1998, relating to the FCC's Public Notice. No objection was raised by the parties to the treatment of any materials for which confidential treatment was sought and such materials were accordingly afforded preliminary confidential treatment by the bench for purposes of determining their trade secret status. The parties were informed at the outset of the evidentiary hearing that all materials preliminarily held confidential at the March 11 and March 25 confidentiality hearings would be accorded confidential, trade secret status in these proceedings.

The evidentiary hearing relating to the BCPM cost model was conducted on March 26, 1998, in Room TC-10, Indiana Government Center South, commencing at 9:00 a.m. At this hearing the parties offered their respective prefiled testimony and the same was received into evidence. In conjunction with this evidentiary hearing, the parties also had earlier presented certain legal briefs and/or memoranda in response to Questions 1-6 contained in Attachment "A" to the Commission's January 27, 1998, Docket Entry. Several parties also filed response briefs to some parties' initial brief filings related to these questions.

Based upon the evidence presented, and being duly advised in the premises, the Commission now finds as follows:

1. **Jurisdiction.** In our March 26, 1997, Order initiating this investigation, this Commission found it had jurisdiction over the subject matter and parties to this proceeding. No party has challenged the Commission's determination of that jurisdiction and we reaffirm our previous determination. Furthermore, the FCC's USF Order requested the states by August 15, 1997, to indicate whether they intended to develop their own forward-looking economic cost models for use in calculating federal support for non-rural eligible telecommunications carriers' rural, insular and high cost areas to be distributed beginning January 1, 1999 (USF Order ¶248). That election was made by the Commission as noted before, in its August 4, 1997, Order issued in this Cause and was duly communicated to the FCC. Thus, we have jurisdiction over the matters to be addressed in this Order.

2. **Matters to be Addressed in this Order.** This Order will address matters regarding the submission to the FCC of an Indiana-specific FLEC model, specifically the BCPM, for purposes of determining federal universal service support. First, we will discuss model selection and associated input parameters. Next, we will address whether to submit BCPM to the FCC. Then we will discuss the need for any reservation of rights, as set forth in the Commission's August 4, 1997 Order in this Cause, to accompany the submission of a state-specific cost model. Finally, we will discuss the filing requirements to submit a cost model to the FCC.

3. **The FCC's Universal Service Order and Its Criteria.** In its Universal Service Order, the FCC sets forth its plan to implement the universal service goals established by the Telecommunications Act of 1996 (the "Act"). Of relevance to this Cause, the FCC found that to implement the principles contained in § 254 of the Act regarding federal universal service support to rural, insular and high cost areas, "the level of support for service to a particular customer will ultimately be determined based upon the forward-looking economic costs that would be incurred by an efficient carrier in the market." Universal Service Order, ¶199. According to the FCC, after the carrier's forward-looking economic cost (or FLEC) is determined, a national revenue benchmark, established by the FCC, will be subtracted from that value. The federal universal service support will be twenty-five percent (25%) of the difference between the FLEC and the appropriate revenue benchmark. *Id.*, ¶¶ 200-201. The FCC has determined that it will require support to be calculated under this method for non-rural carriers as of January 1, 1999. *Id.*, ¶¶ 2, 26.

The FCC is in the process of approving its own methodology for determining the FLEC of providing universal service. *Id.*, ¶249. The Universal Service Order also allows a state to submit its own FLEC methodology, in the form of cost studies or models. *Id.*, ¶248. These state-sponsored FLEC cost studies or models will be reviewed by the FCC to determine whether they meet the criteria listed in the Universal Service Order. *Id.*, ¶ 250. The FCC currently requires that any state-sponsored FLEC study be submitted to the FCC on or before April 24, 1998.

We are mindful that the FCC's Universal Service Order established the criteria for the states' FLEC model submissions. Universal Service Order, ¶250. In the discussion below, these criteria inform our decision. They are, in pertinent part, as follows:

- (1) "The technology assumed in the cost study or model must be the least-cost, most-efficient, and reasonable technology for providing the supported services that is currently being deployed. A model, however, must include the ILECs' wire centers as the center of the loop network and the outside plant should terminate at ILECs' current wire centers. The loop design incorporated into a forward-looking economic cost study or model should not impede the provision of advanced services. ... Wire center line counts should equal actual ILEC wire center line counts, and the study's or model's average loop length should reflect the incumbent carrier's actual average loop length."
- (2) "Any network function or element, such as loop, switching, transport, or signaling, necessary to produce supported services must have an associated cost."
- (3) "Only long-run forward-looking economic cost may be included. The long-run period used must be a period long enough that all costs may be treated as variable and avoidable. The costs must not be the embedded cost of the facilities, functions, or elements. The study or model, however, must be based upon an examination of the current cost of purchasing facilities and equipment, such as switches and digital loop carriers (rather than list prices)."
- (4) "The rate of return must be either the authorized federal rate of return on interstate services, currently 11.25 percent, or the state's prescribed rate of return for intrastate services....."
- (5) "Economic lives and future net salvage percentages used in calculating depreciation

- expense must be within the FCC-authorized range."
- (6) "The cost study or model must estimate the cost of providing service for all businesses and households within a geographic region. This includes the provision of multi-line business services, special access, private lines, and multiple residential lines....."
 - (7) "A reasonable allocation of joint and common costs must be assigned to the cost of supported services....."
 - (8) "The cost study or model and all underlying data, formulae, computations, and software associated with the model must be available to all interested parties for review and comment. All underlying data should be verifiable, engineering assumptions reasonable, and outputs plausible."
 - (9) "The cost study or model must include the capability to examine and modify the critical assumptions and engineering principles. These assumptions and principles include, but are not limited to, the cost of capital, depreciation rates, fill factors, input costs, overhead adjustments, retail costs, structure sharing percentages, fiber-copper cross-over points, and terrain factors."
 - (10) "The cost study or model must deaverage support calculations to the wire center serving area level at least, and, if feasible, to even smaller areas such as a Census Block Group, Census Block, or grid cell....."

Additionally, the FCC states that in order for a state-sponsored study to be acceptable, it must be the same cost study that is used to determine intrastate universal service support levels pursuant to § 254(e) of the Act. *Id.*, ¶ 251. Finally, the FCC encourages a state, to the extent possible and consistent with its criteria, "to use its ongoing proceedings to develop permanent unbundled network element prices as a basis for its universal service cost study." *Id.*

4. **Evidence Presented.** An evidentiary hearing was convened in this Cause on March 26, 1998 at 9:00 a.m. in Room TC10 of the Indiana Government Center-South, to hear evidence from the parties relating to whether the Commission should ultimately decide to submit to the FCC the BCPM. The hearing was formally announced in a Docket Entry issued on January 27, 1998. Attachment A to that Docket Entry contained a list of questions Mr. Hartman recommended that the Presiding Officers require parties to answer for the March 1998 hearing. Attachment A also included filing deadlines for parties to submit prefiled evidence and legal briefs.

A. **Ameritech's Direct Testimony.** Ameritech Indiana's position was presented by two witnesses, John H. Buehner, Cost Manager in Product Management at Ameritech Corporation, and J. Thomas O'Brien, Director-Universal Service and Access Reform of Ameritech.

Mr. Buehner responded to the specific cost-related questions (numbers 7-10 and 14-18) asked by the Commission in its January 27, 1998, Docket Entry, in the development and submission of the BCPM model and company-specific inputs into that model. Mr. Buehner recommended that the Commission submit an Indiana-specific model to the FCC by the designated deadline. He pointed out that a state-sponsored study should be based on each respective company's specific inputs in

order to comply with the requirements of Paragraphs 250-251 of the USF Order, since these requirements cannot be satisfied by using an unconnected selection of inputs from individual companies and would result in an inaccurate portrayal of the FLEC costs of any of the non-rural ILECs in Indiana or any theoretical new entrant. While deferring to Sprint as the BCPM model sponsor as to whether the BCPM satisfies the FCC's ten criteria set forth in paragraph 250 of the USF Order, Mr. Buehner testified that Ameritech Indiana inputs to the BCPM satisfy the FCC's ten criteria and the Commission's requirements set forth in its November 5, 1997, Order.

While Mr. Buehner had initially indicated in his prefiled direct testimony that he had several areas of concern related to the BCPM model, he indicated during cross-examination that a number of those concerns had been alleviated since his direct testimony had been prefiled. With regard to the FCC's Criterion No. 1 for FLEC models for federal universal service support set forth in its USF Order, Mr. Buehner at the hearing noted that the BCPM allows for Audited LEC Switching Model (ALSM) results thus permitting the modeling of the Siemens EWSD switch, a concern he had originally expressed in his prefiled direct testimony. Furthermore, Mr. Buehner indicated he had completed work employing ALSM to address all of the forward-looking costs for Ameritech switches deployed today, although such material had not yet been presented to the Commission. Mr. Buehner further indicated that Ameritech's data inputs for the BCPM rely upon company-specific economic models of telecommunications facilities and equipment based upon current engineering principles and data, and that are consistent with the methodology employed by the Commission to develop costs for unbundled network elements (UNEs) for Ameritech in its UNE docket, Cause No. 40611.

With regard to certain concerns of the BCPM as to FCC Criterion No. 8, Mr. Buehner discovered after Ameritech presented its inputs for the BCPM that the BCPM allowed the flexibility to input company-specific data (e.g., the BCPM's "FCC Lines" table and ALSM input tables) instead of the BCPM estimating such values, but he indicated that there was insufficient time to identify and gather the appropriate company data for such inputs.

Mr. O'Brien responded to the specific questions (numbers 11-13) asked by the Commission's Docket Entry of January 27, 1998. He noted from a policy perspective that Ameritech Indiana was unaware of any policy reason that would prevent the Commission from reiterating the same reservation of rights set forth in its August 4, 1997, Order when submitting an Indiana-specific FLEC model to the FCC, including filing this model with the condition that the Commission reserved its right to rescind such submission upon review and analysis of the as-yet-to-be-determined FCC national model.

B. GTE North's Direct Testimony. GTE North's position was presented through several witnesses. Those witnesses were Dr. Edward C. Beauvais, Director-Economic Policy and Chief Economist in GTE's Regulatory and Governmental Affairs Department; Mr. David L. Behrle, Staff Manager-Economic Issues for GTE Service Corporation; and Dr. Mark S. Calnon, Director-Pricing and Tariffs, GTE Service Corporation.

Dr. Beauvais addressed Questions 7-13 of the Commission's January 27, 1998, Docket Entry

related to whether to decide to submit an Indiana-specific FLEC model or to default to the FCC's national model as yet to be developed. Dr. Beauvais testified that in order to size the universal service support needed for Indiana, each company's costs should be estimated using specific cost studies and/or a model that best predicts the actual costs that each company is likely to incur in providing service in Indiana. While GTE believes its own studies are best suited for such sizing of support, if the Commission desires to promote a single model such as the BCPM, Dr. Beauvais argued it should at least use individual company-specific inputs into such a model. Dr. Beauvais therefore recommends that it is in the public interest for the Commission to submit an Indiana-specific model to the FCC at this point in time using company-specific inputs to the extent possible until such time as the Commission has the opportunity to review GTE's own costing methodology in detail. Dr. Beauvais further noted that the Commission should feel free to set forth any reservations of its prerogatives to the FCC that it sees fit to do, since its obligation under the federal Telecommunications Act is to establish prices for intrastate supported services. Dr. Beauvais emphasized that it would be absolutely wrong to use the BCPM with a single set of Indiana-specific inputs since this would result in **distorting the cost characteristics of one firm over another** - a "pick and choose" paradigm would invite, in his opinion, misrepresentation and underestimation of an individual company's cost on a going-forward basis.

Mr. Behrle's direct testimony addressed Questions 14-18 of the Commission's January 27, 1998, Docket Entry, relating to inputs to the BCPM and sponsored GTE's material in support of its cost model results. Mr. Behrle presented three different cost scenarios on behalf of GTE since it disagrees with the Commission's assessment of the level of risk now associated with GTE markets. Scenario 1 follows the Commission's Order of November 15, 1997, using an 11.25% cost of money and current depreciation lives. Scenario 2 presents the costs resulting from economic depreciation and GTE's FLEC of money of 13.12%. The third scenario uses the 11.25% cost of money and the depreciation lives anticipated with the proposed Order in GTE's pending depreciation proceeding, Cause No. 40734, before the Commission. GTE points out that if the Commission were to approve the depreciation proposal in the Joint Proposed Order submitted in Cause No. 40734, which it anticipated would occur before the April submission deadline, that version would be consistent with the Commission's November 5, 1997, directive to use current approved depreciation rates. Mr. Behrle testified that the Commission should calculate universal service support needs for each ILEC using each company's own costs as determined by each company's FLEC models and inputs and that it is inappropriate for the Commission to use a single statewide model or one-size-fits-all approach, since the use of a proxy model would likely deny ILECs the opportunity to recover costs. Mr. Behrle states that proxy models do not reflect the production technologies; input prices and other company-specific circumstances of many ILECs and could result in cost estimates equal to, exceeding or lower, than an ILEC's costs to provide the supported services.

Mr. Behrle stated that GTE proposed that the BCPM be used to represent GTE's cost on an interim basis for universal service purposes only since BCPM is not a permanent vehicle in that it does not use company-specific inputs and is time consuming and difficult to populate entirely with GTE-specific inputs and assumptions. It proposes the eventual use of its Integrated Cost Model (ICM) for USF purposes after it is fully developed. After describing the inputs used for the BCPM, Mr. Behrle testified that BCPM, used with each LEC's company-specific inputs on an interim basis,

could be used to satisfy the FCC's ten criteria.

GTE's last witness, Dr. Calnon, addressed Question 10 set forth in the January 27, 1998, Docket Entry as to an estimation of the size of the universal service funding required for Indiana as well as the implications of reworking the implicit estimates contained in ILECs' rates consistent with Section 254(f) of the federal Telecommunications Act. Dr. Calnon emphasized that ILECs cannot continue to be the sole provider of universal service support within their service territories with the introduction of competition; a new explicit mechanism must be adopted in Dr. Calnon's view providing for equitable and nondiscriminatory contributions by all providers of telecommunications services.

Dr. Calnon testified that, relative to the costs of providing service, GTE's current set of intrastate and interstate rates are disoriented due to the presence of implicit subsidies under which excess contributions from certain services such as toll, vertical and switched access service provide support for other services such as local exchange services, particularly for rural customers. Referring to Mr. Behrle's testimony discussing GTE's three scenarios, Dr. Calnon estimated GTE's total annual intrastate, universal service support requirement under Scenario 1. Dr. Calnon also provided testimony as to estimating the level of support to be received from the FCC's model based upon certain GTE assumptions.

C. Sprint/United's Direct Testimony. Sprint/United's position was presented by two witnesses, Alan I. Matsumoto, Manager-Pricing and Regulatory Planning and Robert A. Matter, Manager-Local Cost Studies.

Mr. Matsumoto testified as to Questions 7-13 of the Commission's January 27, 1998, Entry. Mr. Matsumoto strongly recommended the Commission submit an Indiana-specific model to the FCC, the BCPM. He referred to the Commission's prior statements in its November 5, 1997, Order as to the basis for the BCPM's selection. He further noted that there is no apparent risk to submitting a state model, and deferring to an unknown FCC-selected model that the Commission may ultimately determine is contrary to the best interests of Indiana would not be in the interest of the State of Indiana. Mr. Matsumoto stated Sprint harbors no opposition to including the same reservation of rights set forth in the Commission's August 4, 1997, Order with the submission of the BCPM to the FCC. Given that BCPM fulfills, in Sprint's view, the FCC model criteria and guidelines, Mr. Matsumoto concluded he does not anticipate the FCC rejecting this model.

Mr. Matter responded to Questions 14-18 set forth in the Commission's Docket Entry of January 27, 1998. Mr. Matter advised the Commission that it should not consider a single set of inputs comprised of the lowest cost among the three major non-rural ILECs, since it cannot be reasonably assumed each company possesses the same operating characteristics and resultant costs for services. Mr. Matter testified that the BCPM model satisfies the FCC's ten criteria, attaching excerpts from the BCPM methodology for making this demonstration. He further noted that Sprint's inputs also satisfied the ten criteria and the Commission's requirements set forth in its November 5, 1997, Order in this Cause.

D. AT&T's Direct Testimony. Mr. James F. Henson testified on behalf of AT&T Communications of Indiana, Inc. ("AT&T"), in response to the direct testimony and positions taken by Ameritech, GTE and Sprint as well as Questions 7-18 set forth in the Commission's January 27, 1998, Docket Entry. Mr. Henson is employed by AT&T Corporation as District Manager-State Government Affairs.

AT&T recommends the Commission should use the FCC as yet-to-be developed model for purposes of determining federal universal service support. Mr. Henson explains this position is based on certain conceptual criteria and a number of practical considerations. Mr. Henson contends there is insufficient time to properly analyze and develop a meaningful evidentiary record on the cost studies and associated inputs filed with the Commission.

He states the principal reason for using the FCC model is the need for consistency across companies and states. Methodological differences in AT&T's view will inevitably lead to under- or over-recovery of universal service costs by companies and states participating in the funding arrangement. In contrast, if the FCC model is used with its inputs, all ten criteria will be automatically met because the FCC will use the criteria to select a model in the first place. Mr. Henson also promotes the FCC model because in his view, access to the BCPM's confidential input data and algorithms as required by FCC's Criterion No. 8 is not certain even though parties receiving data subject to confidentiality agreements may satisfy this requirement.

As to practical considerations, Mr. Henson notes the BCPM does not represent GTE's ultimate recommendation to use its own ICM model. He further notes that model updates and correction issues can be avoided entirely if the FCC model is used, in that any necessary cost model updates will be applied to all parties using that model. Mr. Henson also points out that the schedule necessitated by the April 24, 1998, due date for study submission raises potential concerns for handling reconsideration petitions of the Commission's findings in its Order that may decide to submit the BCPM. He further notes the process of review of any state-specific model will continue at the FCC upon submission prolonging the process with regard to state model approvals.

Mr. Henson contends the BCPM and inputs of non-rural LECs fall far short of meeting the FCC's ten criteria. He again asserts because portions of the BCPM are confidential, they may run afoul of the FCC's criterion on data availability. He contends BCPM is not fully documented and reliance on certain default data of the BCPM is of no probative value. He further criticizes certain design aspects of the BCPM. Based upon these considerations, AT&T recommends that the Commission should decide to use the FCC default model.

Upon cross-examination, Mr. Henson agreed that the FCC's "default" model has not yet been selected, much less evaluated or tested. Furthermore, with regard to his concerns over consistency among companies and states, Mr. Henson conceded that to have consistency, a state-specific model would not be required to be identical to the FCC default model and if such a model is approved by the FCC it will have met the FCC's ten criteria just as the FCC's default model would be assumed to meet such criteria.

As to model updates, Mr. Henson also admitted upon cross-examination that cost models and inputs to cost models change over time, including state-specific models and the FCC model, to reflect inevitable changes to such items as technology, risks (such as cost of money), depreciation, utilization and taxes. Furthermore, he agreed that the USF Order does not prohibit any states from making necessary updates and corrections to state-specific models that may be approved by the FCC.

E. OUC's Direct Testimony. The Office of Utility Consumer Counselor ("OUC") presented two witnesses in response to the testimony of Ameritech, GTE North and Sprint/United: Harold L. Rees, Principal Engineer for the technical staff of the OUC and Dr. Donald L. Durack, Principal Utility Analyst in the Economics and Finance Division of the OUC.

Mr. Rees commented upon the investment inputs and outputs for the BCPM cost model of the non-rural ETCs and variations the OUC used in its operation of the model. Mr. Rees contends that the cost methodology used in BCPM for much of the outside plant cables can increase investments significantly compared to book investment levels. In Mr. Rees' opinion, these increased investments drive excessive recurring costs, causing operating expenses to be calculated higher than what they should actually be for the more efficient plant which is the assumption of a forward-looking cost model.

Mr. Rees examined both investments and operating expenses in the BCPM calculations performed by Ameritech, GTE and Sprint. Based upon his analysis, he concluded all of these companies have applied at least some investment factors not appropriate for a FLEC study, although he viewed GTE as having the greater share of inappropriate investment factors. He believes BCPM has developed excessive investments due to the model effectively rebuilding a major portion of outside plant used for loops with the same or similar technology; applies Digital Loop Carriers (DLCs) beyond reasonable limits; and calculates excessive loop lengths, making the BCPM vulnerable to improper investment factors.

Upon cross-examination, Mr. Rees admitted that there is no rule that requires the forward-looking costs derived by the BCPM to be less than historical embedded costs of a company's business. As an example, Mr. Rees admitted costs of copper aerial cable are thirty percent higher today than in 1984, a cost to provide the access portions of universal supported services. Mr. Rees also admitted that it would not be unreasonable to expect more DLCs in a forward-looking environment than at present given the provision in the FCC's Criterion No. 1 that a forward-looking economic cost study or model should not impede the provision of advanced services. As to Mr. Rees' claim of the BCPM's calculation of excessive loop lengths, Mr. Rees acknowledged his review of Ameritech's Rebuttal testimony and Mr. Buehner's testimony therein that loop lengths modeled after the BCPM are within two percent of the actual Ameritech loop lengths and acknowledged the OUC had not performed any study to demonstrate such statement was inaccurate. Nor had the OUC performed any detailed analysis of GTE's loop lengths to determine whether BCPM was properly measuring loop lengths.

Dr. Durack testified as to how the inputs proposed by the companies in his opinion failed to meet the FCC's ten criteria and presented concerns about the suitability of the BCPM model. Dr.

Durack recommends that the Commission not submit an Indiana-specific model at the present time to the FCC, but instead to continue working on universal service costing with the focus shifting to developing a model or study suitable for intrastate high cost funding. In Dr. Durack's view, the FCC will likely require that a common input value be used by all companies in Indiana for most of the BCPM manual inputs in that different BCPM inputs for different companies would be inconsistent with the aims of a long-run, economic cost study unless these differences related to unique features of a service territory not subject to the company's control. Dr. Durack expresses concern over whether the new model platform has been tested sufficiently or has been adequately reviewed to select appropriate values. Dr. Durack comments on BCPM inputs related to investment, capital costs, operating expenses and recommends the Commission adopt a common expense factor for all three companies. Dr. Durack's review only produced BCPM cost results for GTE; he did not perform any analysis as to Ameritech or Sprint. Based upon an analysis of GTE, the OUCC recommends an overall reduction in monthly cost of 23% from the baseline result and a 49% reduction from the baseline support requirement.

Upon cross-examination, Dr. Durack admitted that despite the OUCC's recommendation of a lower cost-of-capital, the Commission had directed the parties to use the 11.25% percent rate of return factor in performing their cost studies for BCPM, consistent with FCC Criterion No. 4. While suggesting certain line expense factors as to marketing expenses, customer service expense and total corporate overhead expense should be limited to certain recommendations of the state members of the Joint Board, Dr. Durack admitted that he didn't believe the FCC had endorsed or even commented upon such suggestions.

As to the OUCC's recommendation that common expense factors be applied to all three companies, Dr. Durack admitted the FCC's Criterion No. 1 required that a model must include a particular ILEC's wire centers and outside plant. In responding to cross-examination questions from GTE's counsel, Dr. Durack admitted that in a NFPRM issued by the FCC in July, 1997, the BCPM was favorably discussed by the FCC and was recommended by three out of five state members of the Joint Board. Further, with regard to an FCC Public Notice issued on November 12, 1997, it was established for states performing state-specific studies that with regard to submitting separate cost studies for each LEC in a state, states may file cost studies that incorporate company-specific assumptions or data.

F. Ameritech Indiana's Rebuttal Evidence. The witness for Ameritech, John H. Buehner, again testified on behalf of Ameritech in the rebuttal phase of this proceeding. In summary, Mr. Buehner observed with regard to Mr. Rees' testimony for the OUCC that in Mr. Buehner's view the OUCC inappropriately focused on company historical (embedded cost) information with which to validate the results of the BCPM, a FLEC methodology. Furthermore, in his view, Mr. Rees provided no rationale for several of the OUCC's recommended changes to either company-specific inputs or BCPM default inputs. As to Dr. Durack, Mr. Buehner opined that his testimony was driven more by his desire to influence universal service funding than to accurately determine costs. With regard to AT&T's witness, Mr. Henson, Mr. Buehner testified that AT&T's proposal for the Commission to adopt the FCC model without even knowing of what it would consist in effect eliminates the Commission's options it currently possesses in selecting a FLEC

model with company-specific inputs. Mr. Buehner observes there is no factual basis from Mr. Henson's testimony to conclude the FCC model is somehow superior to the BCPM.

Mr. Buehner further pointed out that the aim of the FCC's FLEC methodology is to use the aggregate least cost, most efficient, and reasonable technology for providing supported services that are currently available. In comparing results in the aggregate, Mr. Buehner found that, for example, with regard to wire center line counts, the results of the BCPM when compared to company-specific results was a deviation of only 1 percent. Relating to average loop lengths, the average loop length for Ameritech utilizing the BCPM value was within 2 percent of the company's provided value—indicative that BCPM's calculation of Ameritech's loop length is accurate, its assessment of Ameritech's loop investments reasonable and operating expenses applied to those investments not excessive.

G. GTE North's Rebuttal Evidence. GTE provided rebuttal testimony from its witnesses, Dr. Beauvais, Mr. Behrle and Dr. Calnon.

Dr. Beauvais disputes Dr. Durack's assertion that different BCPM inputs for different companies would be inconsistent with the conduct of a long-run cost study. Dr. Beauvais noted that one can expect differences in production technologies deployed by telecommunications providers in a competitive marketplace to differentiate themselves from their rivals. Dr. Beauvais further disputed the OUCC's criticism of deployment by GTE in its inputs of a greater percentage of DLCs where the FCC's criteria called for not impeding the provision of advanced services which such DLC technology promotes. Dr. Beauvais further criticized Mr. Henson's position that the FCC model is the best model available in view of the fact such model doesn't even exist. With regard to Mr. Henson's testimony, Dr. Beauvais further noted cost models will continue to be updated over time despite Mr. Henson's suggestion that opting to the FCC default model will somehow avoid such problems. Dr. Beauvais observed that if AT&T wants to continue its role in the costing exercise of its competitors as well as suppliers, then it will need to dedicate the resources to doing so. Updates are necessary to provide the best estimates of a company's costs.

Mr. Behrle's rebuttal testimony presented corrected results of GTE's BCPM cost studies for scenarios 2 and 3 and a revised analysis of the sensitivity studies done on the company-specific inputs used in the BCPM model. He also addressed several issues raised by the OUCC's witnesses. Among other items, Mr. Behrle questions Dr. Durack's lack of studies or analysis to support Dr. Durack's assertion that a company's operating expenses will be significantly less in the future. He also noted that there are clear differences in inputs between the companies.

Dr. Calnon amplified the sensitivity of the universal service fund calculations to input changes. He took issue with AT&T's implication that GTE's universal service funding in Indiana may be zero. Dr. Calnon testified that the sizing of the fund should only consider two flows—the incurrence of costs and receipt of revenues. AT&T in his opinion fails to recognize that the implicit subsidies AT&T proposes to include in the benchmark calculation are required to be eliminated by the federal Act once the fund is established.

H. Sprint's Rebuttal Evidence. Mr. Matter also presented rebuttal testimony on behalf of Sprint. In commenting on the OUCC's witnesses' concerns over the BCPM model platform, particularly the cost of loop calculated by the model, Mr. Matter noted that a forward-looking study does not necessarily arrive at an investment total that is lower than the current embedded cost and therefore does not invalidate the forward-looking study. Inflation is a large reason in Mr. Matter's view for such differences in the two values. Mr. Matter noted, that with few exceptions, the OUCC's analysis contained no specifics as to incorrect model assumptions.

6. Discussion and Findings: BCPM Platform. In our August 4, 1997 Order in this Cause, this Commission elected to develop its own forward-looking economic cost ("FLEC") study to be used in calculating federal universal service support, in accordance with paragraph 248 of the FCC's Universal Service Order. In our Order we stated:

...an election today to develop an Indiana-specific model does not appear to preclude a later decision by this Commission to adopt the FCC model. Accordingly, our decision today should not be construed as a rejection of the FCC model. It may well be that, following an evidentiary hearing in which the strengths and weaknesses of various models are explored, this Commission prefers the FCC model.

It was our hope that once an Indiana FLEC model had been developed we would have been able to compare it with the FCC's FLEC model, and then decide which of the two was more suitable for use in Indiana. Unfortunately, the FCC has failed to meet its own deadline for developing its own FLEC model. Because the FCC has mandated that states must submit their own FLEC models by April 24, 1998, we are left in a position of having to choose between the BCPM model which certain parties have presented to us and a yet-to-be-revealed FCC FLEC model. Our decision today to submit a BCPM model to the FCC should be read not so much as an endorsement of the BCPM model as an expression of our desire to keep open the possibility that we may some time in the future be able to choose between the BCPM model and the FCC FLEC model.

Certain criteria must be met in order for us to submit to the FCC the BCPM model that has been presented to us. The FCC states in Paragraph 206 of its Universal Service Order:

Accordingly, to determine the appropriate level of federal support for service to rural, insular, and high cost areas, we invite states to submit cost studies consistent with the criteria that we prescribe herein and subject to Commission review and approval. State studies must be based on forward-looking economic cost, be consistent with the study used for the state universal service program, and not impede the provision of advanced services.

The preceding can be broken down into three requirements. First, a state's cost study must be forward looking and be consistent with the FCC's ten criteria set forth in Paragraph 250 of the Universal service Order. Second, the cost study must not impede the provision of advanced services. Finally, the cost study must be consistent with the study used for the state's universal service

program.

We find that, taken as a whole, the BCPM platform submitted by the parties herein is consistent with the ten criteria set forth in Paragraph 250 of the FCC's Universal Service Order. We will not go through those ten criteria line by line to see if the BCPM platform meets a strict literal interpretation of each of the criteria. Past experience with FCC criteria, in particular the eligible telecommunications carrier criteria found in FCC Rule 54.101, has taught us that the FCC will use some flexibility when interpreting its requirements. Because the ultimate decision whether to approve the BCPM model supported by the parties herein rests with the FCC and not this Commission, we defer to the FCC and its review proceedings for the ultimate determination of whether a flexible interpretation is appropriate with regard to any particular criterion.

Having determined that the BCPM model proposed herein is consistent with the FCC's ten criteria, we must also determine whether the BCPM platform would impede the provision of advanced services. No evidence was presented at the hearing suggesting that the proposed BCPM model would impede the provision of advanced services, and in the lack of such evidence, we find that it would not impede the provision of advanced services.

The remaining requirement is that a state commission proposing its own FLEC model must commit to use that same model for state universal service funding purposes. While we can make that commitment at this time, we reserve the right to revoke our commitment at a future time. To explain, Indiana presently has no "universal service program" as that term is used in the FCC's Universal Service Order. While there does exist an Indiana High Cost Fund that is used to defray the cost of providing service in certain high cost areas, the need for an Indiana universal service program is a matter we are still investigating in this Cause. Until it is decided whether such a program should be created, and until the terms of such a program, if created, are known, we cannot evaluate whether our proposed BCPM model is suitable for modeling intrastate universal service costs. We also reserve the right to revoke our commitment once the FCC releases its own FLEC model. If the FCC model is better able to model our intrastate universal service costs, we will want to use it. Our ultimate goal is to be able to compare, side by side, the BCPM model and the FCC model so that we may determine which model is more suitable for use in determining federal and intrastate universal service support.

The parties to this Cause and this Commission have expended considerable effort and resources on the issue of whether this Commission should submit the BCPM model to the FCC. It would not be fair to those parties advocating the BCPM for us to abandon the BCPM in favor of an FCC model that has not yet been released. Neither would it be fair for us to bind the State of Indiana to using the BCPM before AT&T and the OUCC have had an opportunity to present arguments in favor of the FCC model. We need to protect the due process rights of both sides. The only way for us to do this is to submit the BCPM by the FCC April 24, 1998 deadline, with a reservation that, once the FCC model has been finalized and we have decided whether to create an Indiana universal service program, this Commission may retract its submission of the BCPM model, if, after a hearing, we decide this is the best course of action. Accordingly, we find that the BCPM Model described herein should be submitted to the FCC with the preceding reservations.

We further find that our decision to submit a FLEC model pursuant to Paragraph 248 of the FCC's Universal Service Order is based on an assumption that there will be no nullification or alteration of pertinent provisions of the FCC's Universal Service or Access Charge Orders. In addition our submission of a FLEC model should not be construed as acquiescence by the Indiana Utility Regulatory Commission or the State of Indiana to the FCC's initial decision to provide only 25% of the necessary support for high cost providers; nor should our submission be construed as an admission or agreement by the Indiana Utility Regulatory Commission or the state of Indiana that any portion of the FCC's Universal Service or Access Charge Orders complies with the Telecommunications Act of 1934 (as amended by the Telecommunications Act of 1996 or other statutes); nor should our submission be construed as a waiver of any legal rights which the Indiana Utility Regulatory Commission or the state of Indiana may have before the Federal Communications Commission or any court of competent jurisdiction to challenge all or any portion of the FCC's Universal Service Access Charge Order(s).

7. **Discussion and Findings: Company Inputs.** In submitting a BCPM Model to the FCC, not only must we find that the BCPM platform is consistent with the FCC's ten criteria, we must also determine whether the specific company inputs offered by the non-rural LECs meet those ten criteria.

There are more than one hundred company-specific inputs to the BCPM model. Ideally, the accuracy of each of those inputs should be confirmed and the forward-looking nature of each input should also be confirmed. However, as the OUCC stated, there was not enough time for their office to perform a comprehensive review. In fact, some of the sponsoring LECs testified that they resorted to certain defaults built into the BCPM model because there was insufficient time to prepare their own company-specific inputs. Due to this lack of time, for purposes of meeting the FCC's filing deadline we must assume that all of the inputs provided us are accurate and forward-looking. With regard to whether those inputs also satisfy the ten FCC criteria, it appears that in general they do, with two exceptions that we will now address.

GTE's company-specific inputs include a cost of capital of 13.12%, and depreciation rates set by our Order in Cause No. 40734. Both inputs are outside the approved ranges set forth in FCC criteria 4 and 5, respectively. With regard to the cost of capital, in order to satisfy FCC requirements, we find the spreadsheets to be submitted to the FCC reflecting GTE's inputs (and resulting outputs) should be modified, substituting a cost of capital input of 11.25% for the 13.12% value originally proposed by GTE. With regard to GTE's inputs for depreciation rates, we note that our November 5, 1997 Order required companies to submit Commission-approved intrastate depreciation rates, which is what GTE has done. Nevertheless, because the BCPM model will be used to model only federal support for universal service (there is as yet no Indiana universal service program), the FCC's range of depreciation rates should be followed. Accordingly, we find that the spreadsheets to be submitted to the FCC reflecting GTE's inputs (and resulting outputs) should be modified, substituting for the depreciation rates originally proposed by GTE the shortest economic life and lowest future net salvage value in the FCC range, consistent with our November 5, 1997 Order.

With the above two modifications, we find that for purposes of meeting the FCC submission deadline, the inputs provided by Ameritech Indiana, GTE and Sprint meet the FCC's ten criteria.

8. **Materials to be Submitted to the FCC.** Having determined that the BCPM platform should be submitted by this Commission to the FCC with appropriate reservations, and that the three affected non-rural LECs' inputs should also be accepted as described above and forwarded to the FCC, we need to determine just how this is to be accomplished.

On February 27, 1998, the FCC released a Public Notice indicating its filing requirements for states that want to submit a FLEC model for FCC approval. In its Public Notice, the FCC encouraged states to file their submissions via e-mail. The Public Notice also specified that each submission should include a Text Document, among other matters: (1) describing the FLEC model being submitted, (2) demonstrating that the model fulfills the FCC's 10 criteria, (3) demonstrating that if the submitting state has an intrastate universal service support mechanism for non-rural LECs, the model being submitted is the same model that the state will use to determine intrastate universal service support levels, and (4) explaining the interrelationship between the model being submitted and any cost studies that will be used by the state in developing permanent prices for unbundled elements.

We find that the Commission's Secretary, with assistance from technical staff, should submit the Text Document in the format prescribed by the FCC in its Public Notice, via e-mail. With regard to the four items listed above, the Secretary should provide the following to the FCC:

- (1) A copy of Sprint's text description of the BCPM model.
- (2) A statement that to the extent the FCC already possesses information on BCPM 3.1, this Commission has nothing new to add. Only if more information is needed should the FCC review the text document filed by Sprint in this Cause (which should be included in the e-mail submission). With regard to item ILB.8(a), state that all inputs from Sprint, and all inputs and outputs from Ameritech were found to be confidential by this Commission and will not be submitted. Reference Finding Paragraph No. 9 of this Order (which should be included in the e-mail submission).
- (3) A statement that Indiana presently has no intrastate universal service program for non-rural LECs, but if one is created in the future, this Commission reserves its right to retract its submission of the BCPM model. Reference Finding Paragraph No. 6 of this Order.
- (4) A statement that this Commission expects to issue orders in the near future in Cause Nos. 40618 and 40611 determining the cost of unbundled network elements for GTE and Ameritech, respectively.

The FCC's February 27, 1998 Public Notice further requires a state to submit an input and an output spreadsheet for each non-rural LEC operating in the state. We instruct the Commission's

Secretary to forward to the FCC the input and output spreadsheets submitted by Sprint on February 10, 1998, and March 23, 1998 respectively, and the input and output spreadsheets submitted by Ameritech and GTE on March 23, 1998, with the exception that GTE's inputs and outputs should be changed to reflect our decision above to modify the depreciation inputs and the cost of capital input. Because Sprint's inputs and Ameritech's inputs and outputs were all granted confidential treatment pursuant to hearings on February 26 and March 25, 1998, the words "Confidential Information - see Finding Paragraph No. 9 of enclosed IURC Order" should be typed on the first page of their respective spreadsheets.

9. **Confidential Information.** As a result of evidentiary hearings, this Commission has declared certain information relating to company specific inputs to the BCPM model, and resulting outputs, to be confidential. We must honor our own determination in this regard. Accordingly, we will not include with our FCC submission any information we have previously deemed confidential.

The FCC's February 27, 1998 Public Notice appears to contemplate the possibility that certain information may not have to be disclosed publicly. Section II.B.8(a) states, "Please identify all underlying data, formulae, computations, or software used in the study that are not available for review and comment, and explain why they are unavailable." We have instructed the Commission's Secretary to explain that unsupplied inputs and outputs are unavailable because they have been declared confidential by this Commission. If the FCC should nevertheless want to review the confidential information, we believe it would be appropriate if that information came directly from the party that sought confidential treatment in the first place. We do not wish to assume the risks that would attend the transport of confidential materials to the FCC, nor do we wish to become embroiled in a discussion whether certain materials declared confidential by us should also be accorded confidential treatment at the federal level.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The BCPM model and the related Ameritech Indiana, GTE North and Sprint/United FLEC cost studies presented to this Commission at the March 26, 1998 evidentiary hearing shall be adopted, subject to the reservations expressed in Finding Paragraph No. 6, for purposes of following through on this Commission's previous notice to the FCC of its election to submit a state-specific cost model for purposes of calculating federal universal service support.

2. The Commission's Secretary shall cause a copy of this Order, the text document and spreadsheets required by the FCC's February 27, 1998 Public Notice, and other materials identified in Finding Paragraph No. 8 to be submitted via electronic mail to the FCC on or before April 24, 1998.

3. This Order shall be effective on and after the date of its approval.

MCCARTY, HUFFMAN, KLEIN, AND ZIEGNER CONCUR;
SWANSON-HULL ABSENT:

APR 23 1996

I hereby certify that the above is a true
and correct copy of the Order as approved.

A handwritten signature in cursive script, appearing to read "Brian J. Cohee", written over a horizontal line.

Brian J. Cohee, Secretary to the Commission